

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 /104 W

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R 011659Z AUG 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3436

INFO AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY DOHA

C O N F I D E N T I A L LONDON 11899

FROM AMBASSADOR STERNER

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJ: ABU DHABI OIL AND GAS DISCUSSIONS

1. WHILE IN LONDON I CALLED ON UAE MINISTER OF PETROLEUM
OTAIBA AND HAD LUNCH WITH REPS OF BP, EXXON AND MOBIL.
QUESTION OF ADPC DEVELOPMENT PROGRAM HAS BEEN RESOLVED FOR
THIS YEAR WITH COMPROMISE ON RATE OF EXPENDITURE (OTAIBA
COMPLAINED THAT WITH ALL HIS OTHER HEADACHES HE NOW HAD
TO SERVE AS MEDIATOR BETWEEN COMPANIES AND ADNOC'S
HAMRA-KROUHA). ON OVERALL PRICE/PRODUCTION LEVEL AGREE-
MENT FOR THIS YEAR, COMPANY REPS INDICATED THAT DEAL THEY
PRESENTLY HAVE IN ABU DHABI RELATIVELY BETTER THAN ELSE-
WHERE IN GULF, BUT NOT SO MUCH SO AS TO BE SATISFACTORY
LONG-TERM BASIS FOR CONTINUED OPERATIONS. THEY HAD ACCORD
INGLY SIGNALLED TO OTAIBA THEIR DESIRE TO ENTER DISCUSSION
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FOR NEW DEAL THAT WOULD GIVE THEM LARGER PROFIT MARGIN.

ACCORDING TO COMPANIES, OTAIBA INDICATED AGREEMENT WITH GENERAL PROPOSITION THAT PRESENT COMPANY TAKE NOT ADEQUAT BUT DISCUSSIONS HAVE NOT GONE MUCH BEYOND THIS. IN MEAN-TIME COMPANIES FORESEE NO PROBLEM WITH LIFTING PROMISED ONE MBD FOR REST OF YEAR. IN FACT, BECAUSE OF SURGE IN DEMAND FORESEEN FOR AUGUST IN ANTICIPATION OF HIGHER PRICES THEREAFTER, COMPANIES HAD BEEN IRRITATED BY LIMITATION OF ONE MBD WHICH HAMRA-KROUHA HAD ORDERED, ON GROUNDS THAT GREATER PRODUCTION WOULD DAMAGE OIL FIELDS.

2. COMPANIES ALSO ENCOURAGED THAT SOME PROGRESS HAD BEEN MADE IN DISCUSSIONS WITH OTAIBA ABOUT ON-SHORE GAS PROJECT. WITH RESPECT TO MAJOR OBSTACLE, WHICH IS COMPANIES' UNWILLINGNESS TO ASSUME POLITICAL RISK FACTOR IN BANK GUARANTEE FOR BORROWED PORTION OF THEIR SHARE OF CAPITAL (ABOUT DOLLARS 160 MILLION AS PROJECT NOW STANDS), COMPANIES PROPOSED THAT ABU DHABI BANKS LEND COMPANIES THE SUM, THUS AUTOMATICALLY ASSUMING RISK. OTAIBA SAID HE WOULD BE WILLING TO EXPLORE THIS POSSIBILITY. IF THIS PROBLEM CAN BE OVERCOME, DIFFERENCES ON OTHER ISSUES, IN OPINION OF COMPANY REPS, CAN BE RAPIDLY BRIDGED.

3. HAMRA-KROUHA'S DAYS MAY BE NUMBERED. OTAIBA TOLD ME HE HAD RECOMMENDED TO SHAIKH ZAYID THAT HAMRA-KROUHA BE SENT BACK TO ALGERIA.

RICHARDSON

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